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W. LOUIS GRIFFITH
EXECUTIVE VICE PRESIDENT
CHIEF FINANCIAL OFFICER

September 12, 2005

Honorable Donald E. Powell
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Mr. John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

**Re: Comments Regarding FDIC Application #20051977; Wal-Mart
Application for Insurance and Industrial Bank Charter**

Dear Chairman Powell and Mr. Carter:

On behalf of The Bank of Clarendon, I am writing to comment on the Wal-Mart Stores, Inc. application for a Utah industrial bank or industrial loan company charter (ILC) and federal deposit insurance. We oppose the application and urge the FDIC to deny the application. We further request the FDIC to conduct a public hearing on the application and the serious public policy issues it raises.

Wal-Mart's current business plan for the ILC is narrowly described as providing back office processing of credit card, debit card and electronic check transactions in Wal-Mart store.

While the application itself is narrowly drawn, Wal-Mart has had a well-publicized mission to get into the banking business despite the existing legal and regulatory barriers established on long-held public policy grounds to prevent the full blown mixing of banking and commerce in our nation. Wal-Mart's repeated past attempts to gain a foothold in banking and combine full-service banking with its retail operations on a nationwide basis give rise to skepticism about its current narrow business plan.

In 1998, Wal-Mart attempted to purchase a small unitary thrift institution in Broken Arrow, Oklahoma. Congress shut down this back-door approach for a commercial firm to enter the banking business when it passed the Gramm-Leach-Bliley Act of 1999 and reaffirmed our nation's policy of separating banking and commerce by closing the "unitary thrift holding company" loophole and prohibiting commercial firms from owning or acquiring savings associations (as they are prohibited from owning banks).

Wal-Mart later sought to enter banking through an arrangement with Toronto-Dominion Bank USA to offer banking services in 100 Wal-Mart stores. This attempt was blocked by the Office of Thrift Supervision, which objected to Wal-Mart's plan to share profits with TD Bank and have its retail store employees perform banking transactions for TD Bank in their stores. OTS found such an arrangement would give Wal-Mart illegal control over TD Bank USA, circumventing the Gramm-Leach-Bliley Act prohibition on a commercial firm becoming a savings and loan holding company.

Lastly, Wal-Mart sought to purchase a small California industrial bank in 2002. In the face of Wal-Mart's application, the California legislature blocked the acquisition by passing a law prohibiting commercial firms from owning ILCs. Despite any current non-legally binding pledges from Wal-Mart regarding its business plan for a Utah ILC—such as a "no branching" pledge—we see nothing to prevent Wal-Mart from chartering the ILC on a narrow business plan, and later seeking the approval of the Utah Department of Financial Institutions and the FDIC to expand its business and conduct full service banking in its stores. We also see nothing to prevent any conditions placed on the approval of a narrow charter by the Utah DFI being removed in the future upon application by the Wal-Mart ILC.

The linchpin of the financial and economic system of the United States is the principle of the separation of banking and commerce. This tradition has resulted in the most vibrant, successful and diversified economic and financial system in the world. The walls separating banking and commerce prevent conflicts of interest and undue concentration of resources, and ensure the impartial allocation of credit so vital to economic growth and development and to a safe and sound financial system.

The Wal-Mart application also illustrates that the affiliation of banks and non-banking companies presents conflicts of interest and safety and soundness concerns. Federal Reserve Chairman Alan Greenspan has repeatedly argued that the mixing of banking and commerce presents safety and soundness concerns and poses the specter that the federal safety net protecting depositors of insured institutions will spread to non-depository affiliates, thereby introducing additional risks to the deposit insurance funds and the taxpayers.

Because of the ILC loophole in the Bank Holding Company Act, parent companies of ILCs, unlike other companies that own banks, are not regulated at the holding company level by the Federal Reserve. "Allowing a commercial firm to operate a nationwide bank outside the supervisory framework established by Congress for the owners of insured banks raises significant safety and soundness concerns and creates an unlevelled competitive playing field," the Federal Reserve has testified. "Congress has established consolidated supervision as a fundamental component of bank

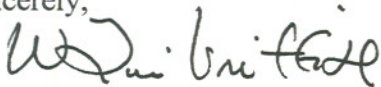
supervision in the United States because consolidated supervision provides important protection to the insured banks that are part of a larger organization and to the federal safety net that supports those banks. Financial trouble in one part of an organization can spread rapidly to other parts. To protect an insured bank that is part of a larger organization, a supervisor needs to have the authority and tools to understand the risks that exist within the parent organization and its affiliates and, if necessary, address any significant capital, managerial, or other deficiencies before they pose a danger to the bank."

Wal-Mart's enormous size make these considerations and the risk posed to the Bank Insurance Fund and taxpayers in the event Wal-Mart experiences financial difficulties more acute.

While the FDIC would have the authority and tools to address safety and soundness problems confined to the Wal-Mart ILC, it lacks the essential tools the Bank Holding Company Act gives the Federal Reserve to oversee and supervise bank holding companies and ensure the safe operation of the overall enterprise. For example, the Federal Reserve's supervisory authority over bank holding companies includes: general examination authority, consolidated umbrella supervision, capital requirements and enforcement authority for unsafe and unsound activities at the parent company or affiliate. This lack of safeguards at the holding company level puts the Wal-Mart bank, the Bank Insurance Fund, and taxpayers at jeopardy for trouble at its parent company.

For the reasons stated herein we urge the FDIC to reject Wal-Mart's application for federal deposit insurance for a Wal-Mart ILC. The application presents serious public policy issues inherent in the mixing of banking and commerce and in the ILC loophole and warrants a public hearing to allow adequate public comment. Our nation's longstanding principle of separation of banking and commerce, reaffirmed in the Gramm-Leach-Bliley Act, is the underpinning for our stable and highly successful economic and financial system, and should not be allowed to be skirted by the world's largest commercial company.

Sincerely,



W. Louis Griffith
Executive Vice President
Chief Financial Officer